



PRESIDENT'S ADVISORY  
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ON FEDERAL TAX REFORM

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Hon. Connie Mack III, Chairman  
The President's Advisory Panel on Federal Tax Reform  
C/o Shaw Pittman LLP  
2300 N. Street NW  
Washington, D. C. 20037-1128

Dear Senator Mack,

First, I would like to thank you and the other members of the panel for devoting what must be a considerable amount of your time to the President's Advisory Panel on Federal Tax Reform.

I very much appreciated the meeting on the 16<sup>th</sup> of February. When I returned to my office, I contacted one of the experts, Fred Goldberg, with some comments on his presentation regarding Social Security. I thought it would be appropriate to share the information with you.

I will not bore you with the nuances of the comments I made to him about effective dates, but he made a point about Social Security being designed with a retirement age of 65 when life expectancy in the United States was 62.

The application of life expectancy is often misconstrued. The age 62 figure quoted in the presentation is the life expectancy at birth. This figure is low because of the high level of infant mortality and childhood illnesses. In the 1930s the majority of people who made it to adulthood could be expected to make it to age 65. In 1935 there were 7.8 million people over the age of 65. In 1940 a male that attained age 65 had a life expectancy of 12.7 years and a female had a life expectancy of 14.7 years. Those same numbers are 21 and 19.7 today, respectively.

The arithmetic of life expectancy sometimes causes confusion. When many people think of "average" they naturally think of a mean average. In calculating life expectancy one uses the median average. Deaths among any population cluster around both ends of life expectancy.

To compute a "mean life span", one adds up the life spans of all people and divides by the number of people. To find the median, one ranks the spans from shortest to longest and then finds the midpoint or age before which exactly half of all people died and after which the other half died. The results are not the same.



The fact that the life expectancy is 21 years at age 65 does not mean that one half of that population will live longer and one half will not; that would be the mean average. The impact of this phenomenon is more significant for younger ages than older ones.

The arguments submitted on both sides of the Social Security reform argument are chock full of misconceptions or distortions. There are very few people that view the situation through the eyes of an actuary. The results they see are often the results that are desired.

Thank you in advance for entertaining my comments and I look forward to attending your next meetings in Washington and Tampa.

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